



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

JUL 17 2012

Brian G. Svoboda, Esq.  
Perkins Coie  
700 13<sup>th</sup> Street, N.W., Suite 600  
Washington, DC 20005-3960

RE: MUR 6414  
Rep. Russell Carnahan  
Carnahan in Congress Committee and  
John T. Truman, in his official capacity  
as treasurer

Dear Mr. Svoboda:

On November 4, 2010, the Federal Election Commission ("Commission") notified your clients, Carnahan in Congress Committee and Lawrence Geisling, in his official capacity as treasurer (the "Committee"), and Congressman Russell Carnahan, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended. Subsequently, in a letter dated November 10, 2011, the Commission provided your clients with an opportunity to respond to information suggesting that Veritas Research, LLC ("Veritas"), may have provided to the Committee investigative and research services without charge or at a discounted rate, resulting in a possible excessive or prohibited contribution. On July 10, 2012, the Commission found, on the basis of the information in the complaint, and information provided by your clients and others, that there is no reason to believe the Committee and Congressman Carnahan violated 2 U.S.C. §§ 434(b) and 441d in connection with TheRealEdMartin.com website. The Commission also dismissed this matter as to the Committee with regard to any potential violations of 2 U.S.C. §§ 441a(f), 441b, and 434(b) in connection with the services provided by Veritas. *See Hackler v. Chaney*, 470 U.S. 821 (1985). Accordingly, the Commission closed its file in this matter.

Documents related to the case will be placed on the public record within 30 days. *See* Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003) and Statement of Policy Regarding Placing First General Counsel's Reports on the Public Record, 74 Fed. Reg. 66132 (Dec. 14, 2009). The Factual and Legal Analysis, which explains the Commission's findings, is enclosed for your information.

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Brian G. Svoboda, Esq.  
MUR 6414  
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If you have any questions, please contact Dawn M. Odrowski, the attorney assigned to this matter at (202) 694-1650.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy Q. Lockett", with a stylized flourish at the end.

Roy Q. Lockett  
Acting Assistant General Counsel

Enclosure  
Factual and Legal Analysis

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1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

3  
4 **RESPONDENTS:** Congressman Russ Carnahan MUR: 6414  
5 Russ Carnahan in Congress Committee and  
6 John R. Truman, in his official capacity as treasurer<sup>1</sup>  
7  
8

9 **I. GENERATION OF MATTER**

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11 This matter was generated by a complaint filed with the Federal Election Commission by  
12 Edward R. Martin, Jr., on behalf of Ed Martin for Congress Committee. See 2 U.S.C.  
13 § 437g(a)(1).  
14

14 **II. INTRODUCTION**

15 This matter involves alleged coordination between Russ Carnahan and Russ Carnahan in  
16 Congress Committee ("the Committee") and Veritas Research, LLC ("Veritas"), Michael Corwin,  
17 and Jeannine Dillon, in the creation and publication of a website attacking Ed Martin, Representative  
18 Carnahan's opponent in the 2010 general election in Missouri's 3<sup>rd</sup> Congressional District. The  
19 website focuses on the results of a three-month investigation by Corwin and Dillon, and it purports  
20 to document Martin's role as an employee in the St. Louis Archdiocese in 1998-2001 as it responded  
21 to allegations of clergy sexual abuse. Corwin and Dillon are prominently featured as the creators of  
22 the website, and notices on the site state that they are solely responsible for its content. Complainant  
23 Ed Martin asserts that the website, TheRealEdMartin.com, constituted an improperly disclosed  
24 coordinated communication and should have included a disclaimer stating that it was paid for and  
25 authorized by the Committee. The complaint bases its allegations on the Committee's reported  
26 payments for media-related consulting and research to Veritas, a limited liability company formed

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<sup>1</sup>On November 7, 2011, the Committee filed an amended Statement of Organization naming John R. Truman as its new treasurer.

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1 by Dillon, and the proximity in time of one of the payments to the date the website domain name  
2 was registered. The complainant concludes from these facts that the Committee fully or partially  
3 paid for the website.

4 Upon review of the complaint, responses, and available information, it does not appear that  
5 the website satisfies the content standard of the Commission's coordinated communication  
6 regulations. Therefore, the Commission has determined to find no reason to believe that  
7 Representative Carnahan and the Committee violated 2 U.S.C. § 434(b) by failing to report in-kind  
8 contributions in creating and posting TheRealEdMartin.com website and 2 U.S.C. § 441d by failing  
9 to include a disclaimer on the website.

10 The Joint Response of Corwin, Dillon, and Veritas ("Joint Response"),<sup>2</sup> however, indicated  
11 that Veritas, through Corwin, provided some investigative services to the Committee without charge,  
12 did not charge the Committee for media consulting and some discrete research, and charged the  
13 Committee a discounted price for fieldwork. See Joint Response, Ex. C, G, and H. These facts  
14 raised the possibility that the Committee may have accepted either an excessive or prohibited  
15 contribution in the form of services provided at no charge or at less than the usual and normal  
16 charge, depending on the value of the services and Veritas's treatment under tax law. It also raised a  
17 potential reporting violation by the Committee. Because these issues were not raised in the  
18 complaint, the Commission notified the Committee and Veritas of these potential violations to  
19 provide them with an opportunity to respond. The Committee and Corwin, who worked as a  
20 subcontractor to Veritas through his own firm, filed supplemental responses. See Committee Suppl.  
21 Resp. and Corwin Suppl. Resp.

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<sup>2</sup>Corwin, Dillon, and Victor Arango, Dillon's husband and the registered agent of Veritas, jointly submitted a sworn response to the complaint.

Based on the supplemental responses and in light of the small amounts potentially in violation, the Commission has determined to exercise its prosecutorial discretion and dismiss this matter as to the Committee regarding any potential violations of 2 U.S.C. §§ 441a(f) or 441b related to accepting in-kind or prohibited contributions in the form of services provided at no charge or at a discount and any potential violations of 2 U.S.C. § 434(b) for failing to report any such contributions.

## **II. FACTUAL AND LEGAL ANALYSIS**

### **A. Factual Background**

In or around April 2010, the Committee hired a media firm that subcontracted with Corwin, a New Mexico private investigator with extensive experience working in political campaigns, to conduct opposition research on Martin. The firm paid Corwin's firm, Corwin Research & Investigations, LLC ("CRI") a \$2,500 retainer for that research. Joint Response at 3, Ex. E. Subsequently, the Committee hired Veritas, a newly formed company, to develop information on Ed Martin's record, "including his past employment, with an eye toward use in future media communications." Committee Response at 2. Veritas, a Colorado limited liability company, was formed on July 23, 2010 by Corwin's former colleague, Jeamine Dillon, a former television investigative news producer. Colorado Secretary of State records; Corwin Suppl. Resp. at 2. Corwin apparently introduced her to the Committee. See Joint Response at Ex. G. According to Corwin, Dillon operated Veritas as a sole proprietorship. Corwin Suppl. Resp. at 1-2. Working together through Veritas, Corwin and Dillon conducted the research and investigative work as authorized by the Committee.

Veritas's work for the Committee entailed two research trips to St. Louis that, according to Veritas's invoices, consisted of general and document research, fieldwork, interviews, pre-

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1 production research, and pre-production fieldwork by Corwin and Dillon. *See* Joint Response,  
2 Exs. A, B, C, and D. Dillon emailed the Committee an invoice in advance of the first trip, from  
3 August 12-15, 2010, reflecting a charge for a \$4,500 retainer to be paid before the services began  
4 and generally describing the services to be performed inclusive of travel expenses. *Id.*, Ex. A.  
5 More than two weeks after the second trip, from September 4-5, 2010, Dillon emailed the  
6 Committee another invoice. *Id.*, Ex. C. This second invoice contained a similar description of  
7 the services to be performed inclusive of all research and travel expenses, and it also contained  
8 an itemized breakdown for work billed at an hourly rate, a discounted flat rate for field work,  
9 source fees, and itemized travel expenses, all totaling \$1,955. *Id.* This second invoice also  
10 itemized services provided at “no charge,” including updating a memo, discrete narrowly-  
11 focused research topics, and media consulting (emphasis added). *Id.* The Committee’s reports  
12 to the Commission reflect payments of these invoices on August 2 and September 27, 2010,  
13 respectively.

14 In the course of providing services to the Committee, disagreements emerged over the  
15 development and presentation of Veritas’s research and “the scope of future work.” Committee  
16 Response at 2; Joint Response at 4; Committee Suppl. Resp. at 2. The Committee states that Veritas  
17 wanted to produce “a journalistic exposé” on Martin’s role in the St. Louis Archdiocese’s response  
18 to allegations of clergy sexual abuse of children, but the exposé was out of step with the  
19 Committee’s political interests. Committee Response at 2. The Committee apparently believed  
20 Veritas’s approach would alienate Catholic voters. *See* Joint Response at 4, Exs. F and G. Veritas,  
21 for its part, viewed the information it had gathered as a matter of grave public interest, characterizing  
22 it as Martin’s silence in the face of alleged child sexual abuse. Joint Response at 4.

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1 After increasingly heated discussions about the issue, including a mid-September email  
2 exchange in which Corwin unsuccessfully argued that a recent comment by the Pope about the  
3 Church's response to clergy-child abuse inoculated the Committee against charges of anti-Catholic  
4 bias, Veritas terminated its working relationship with the Committee. *Id.* at 4, Ex. F; *see* Committee  
5 Suppl. Resp. at 2. In an October 4, 2010, termination email from Corwin to Committee campaign  
6 manager Angela Barranco, Corwin maintained that Barranco had objected to releasing a video  
7 addressing the Martin-clergy abuse issue on You Tube.<sup>3</sup> Joint Response, Exs. G and H. Corwin also  
8 said that he "*donated* huge amounts of time to an investigation" of the issue (emphasis added). *Id.*  
9 He advised Barranco that he, Corwin, had consulted with his own compliance lawyers and made  
10 clear that he viewed work conducted on the issue as belonging variously to him ("the research is all  
11 mine") and to him and Dillon ("[we] can take our work"); that they intended to take the work and  
12 use it in some way; and that they would use it with "clear disclosure that the work is ours and not  
13 approved by a campaign, candidate or committee." *Id.* Corwin also advised Barranco that Dillon  
14 would continue working with him and would not do production-related work for the Committee. *Id.*

15 Barranco responded by email to both Corwin and Dillon on October 6, 2010. Joint  
16 Response, Ex. H. Barranco expressed disappointment but not surprise "as it has been clear to me for  
17 some time that you were interested in a different direction for the project than we [the Committee]  
18 were." *Id.* She also disclaimed responsibility for Corwin and Dillon's future actions involving the  
19 issue, stating: "[f]rom this point forward Carnahan in Congress has nothing to do with this matter,

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<sup>3</sup>Corwin's October 4, 2010, email does not expressly state that the You Tube video launch and the investigation he referred to concerned the Martin-clergy abuse issue, but the Joint Response makes clear that it was. *See e.g.*, Joint Response at 3-5 ("Because of the exceptionally difficult nature of the subject of the investigation, pedophile priests and child molestation, a rift developed . . ."; ". . . Barranco . . . grew increasingly reluctant to use the information regarding Martin's role on the Curia and the pedophile priest scandal"; "[r]ealizing there was no way that Barranco would approve using the information, a decision was made . . . to break away from the campaign"; and ". . . Corwin and Dillon decided to proceed on their own, at their own expense with the Real EdMartin.com website and video") (emphasis added).

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1 and we wish to have no future involvement in it. We also understand that we have no further debts  
2 to you, as per your final invoice.” *Id.* The following day, according to the Committee’s amended  
3 2010 Pre-General Report, the Committee made a third payment to Veritas for “research” in the  
4 amount of \$1,188.99.<sup>4</sup>

5 Veritas asserts that it delayed terminating its work relationship with the Committee until it  
6 had invoiced and received payment for the work done on the second St. Louis trip and says it  
7 consulted with two attorneys before it severed the relationship. Joint Response at 4.

8 On September 29, 2010, two days after the Committee paid the second invoice, Corwin purchased  
9 the domain name, “The Real Ed Martin.com,” for \$12, and he subsequently purchased a year of  
10 webhosting at a total cost of \$56. Complaint, Attachment J; Joint Response at 5.

11 TheRealEdMartin.com website launched on or about October 19, 2010.<sup>5</sup> See Jo Mannies,  
12 *Democratic Researcher Offers More Details on Creation of Anti-Martin Website*, St. Louis Beacon,  
13 October 27, 2010 (“Mannies, *Democratic Researcher*”).

14 The website’s home page describes its content as “the result of a three month investigation  
15 that links Ed Martin—who is running for Missouri’s 3<sup>rd</sup> Congressional District—to the quiet  
16 movement of pedophile priests within the St. Louis Archdiocese during the years he worked there.”  
17 The “About Us & The Project” section of the website notes that the investigation reveals important,  
18 previously unpublished facts “that raise serious concerns about Candidate Martin’s integrity,  
19 judgment and ability to serve the public as a United States Congressman.” A video prominently

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<sup>4</sup>The Committee had originally reported this October 7, 2010 payment in its 2010 Pre-General Report as made to “VR Research” on 18<sup>th</sup> Street in Washington, DC. There is a company called “VR Research” with offices on 18<sup>th</sup> Street and in Oakland, California. The Committee apparently did employ “VR Research” as reflected by a November 4, 2010, payment to the Oakland office of the company disclosed in the Committee’s 2010 Post-General Report. None of the responses shed any light on this issue.

<sup>5</sup>The website continues to be available at <http://therealedmartin.com/www.therealedmartin.com/HOME.html>, but it has now been revised.

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1 posted on the website features interviews of an alleged clergy abuse victim, his mother, and a former  
2 Archdiocese employee. Corwin and Dillon also uploaded the video to YouTube. Joint Response  
3 at 1. Other content on the website includes an extensive narrative of Martin's role as a member of  
4 the Archdiocese Curia (a governing board) and director of its Human Rights Office, the  
5 Archdiocese's handling of child sexual abuse allegations, details of the lawsuit filed by the family of  
6 the alleged victim against the Archdiocese, and other relevant information.

7 Donating their time and services, Corwin prepared the website's written content, Dillon  
8 prepared the video, and Arango designed and created the website – all without compensation. Joint  
9 Response at 5. Statements throughout the website read, in pertinent part, that the website complies  
10 with FEC Regulations 11 C.F.R. §§ 100.26, 100.155 and 100.94, that the information within it has  
11 not been "paid for, endorsed, or approved by any . . . candidate or campaign," and that Corwin and  
12 Dillon are solely responsible for its content. Committee Response at 2; Joint Response at 5. The  
13 Committee issued a press statement denying its "knowledge, encouragement or authorization" of the  
14 website. *See Mannies, Democratic Researcher, supra; see also Jake Wagman, Carnahan Campaign*  
15 *Blames Anti-Martin Website on Rogue Researchers*, St. Louis Times Dispatch, October 27, 2010.<sup>6</sup>

## 16 B. Legal Analysis

### 17 1. Coordinated In-Kind Contribution with Respect to the Website

18 Under the Act, no person may make a contribution, including an in-kind contribution, to  
19 a candidate and the candidate's authorized political committee with respect to any election for  
20 Federal office that, in the aggregate, exceeds \$2,400. 2 U.S.C. § 441a(a)(1)(A) (2010 election  
21 cycle); *see* 2 U.S.C. § 431(8)(A)(i); 11 C.F.R. § 100.52(d)(1) (defining "contribution" as

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<sup>6</sup>The Committee initially misreported in its 2010 October Quarterly Report the first two payments to Veritas by listing an incorrect address for Veritas in Tucson, Arizona, rather than in Colorado. The Committee amended its reports after a blog traced the misreported Tucson address to a research program at the University of Arizona called the "Veritas Research Program." *See* 24thstate.com, *The Two Suspect Payments in the Carnahan Catholic Attack*, Oct. 25, 2010.

1 including in-kind contributions). Corporations are prohibited from making any contributions in  
2 connection with a federal election. 2 U.S.C. § 441b. The Act defines in-kind contributions as,  
3 *inter alia*, expenditures by any person “in cooperation, consultation, or concert, with, or at the  
4 request or suggestion of, a candidate, his authorized political committees, or their agents . . . .”  
5 2 U.S.C. § 441a(a)(7)(B)(i). No candidate or political committee may knowingly accept a  
6 contribution in violation of the Act. 2 U.S.C. § 441a(f). A political committee must disclose all  
7 contributions it receives, including in-kind contributions. 2 U.S.C. § 434(b); 11 C.F.R.  
8 §§ 104.3(a), 104.13(a)(1).

9 Under Commission regulations, a communication is coordinated with a candidate, an  
10 authorized committee, a political party committee, or agent thereof if it meets a three-pronged test:  
11 (1) it is paid for, in whole or part, by a third party (a person other than the candidate, authorized  
12 committee or political committee); (2) if at the time of the events at issue, it satisfied one of four  
13 “content” standards;<sup>7</sup> and (3) it satisfies one of six “conduct” standards. *See* 11 C.F.R. § 109.21.  
14 Three of the four content standards pertinent to this matter require that a communication be a “public  
15 communication” to be considered coordinated.<sup>8</sup> *See* 11 C.F.R. §§ 109.21(c)(2) (a public  
16 communication that republishes campaign materials); 109.21(c)(3) (a public communication that  
17 expressly advocates the election or defeat of a Federal candidate); and 109.21(c)(4) (a public  
18 communication that references a clearly identified candidate and is publicly distributed in the  
19 candidate’s jurisdiction 90 days or fewer before an election). The term “public communication”  
20 encompasses certain types of general public political advertising such as broadcasting, newspaper,

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<sup>7</sup>The Commission promulgated a fifth content standard to comply with a court decision in *Shays v. FEC*, 528 F.3d 914 (D.C. Cir. 2008). That standard, which encompasses public communications that are the functional equivalent of express advocacy, is not applicable in this matter because it did not become effective until December 1, 2010. *See* Explanation and Justification, *Coordinated Communications*, 75 Fed. Reg. 55,947 (Sept. 15, 2010).

<sup>8</sup>The fourth content standard, electioneering communications, encompasses only broadcast, cable, and satellite communications and is not relevant here. *See* 11 C.F.R. § 100.29(c)(1); 2 U.S.C. § 434(f)(3)(A).

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1 and mass mailings, including communications over the Internet placed for a fee on another person's  
2 website. 11 C.F.R. § 100.26; *see also* 2 U.S.C. § 431(22).

3 Additionally, the Act and Commission regulations require all public communications made  
4 by a political committee and political committee websites to include a disclaimer stating that the  
5 committee paid for the communication. 2 U.S.C. § 441d; 11 C.F.R. § 110.11(a). Communications  
6 paid for by other persons require disclaimers only if they constitute electioneering communications  
7 or public communications that expressly advocate the election or defeat of a clearly identified  
8 Federal candidate or solicit contributions. 11 C.F.R. §§ 110.11(a)(2), (3), and (4); 2 U.S.C. § 441d.  
9 Such disclaimers must identify the person who paid for the communication and state whether or not  
10 they are authorized by a candidate or a candidate's authorized committee or agent. 11 C.F.R.  
11 §§ 110.11(b)(2) and (3).

12 The complaint maintains that the website constituted an improperly disclosed coordinated  
13 communication between the Committee and Representative Carnahan and Veritas, Corwin, and  
14 Dillon. *See* Complaint at 1, 4. It also alleges that the website failed to include a disclaimer  
15 noting that the Committee paid for and authorized the site. *Id.* at 2-3, 5.

16 The complaint alleges that the Committee's payments to Veritas wholly or partially  
17 financed the website. The complaint specifically alleges that the website satisfies the  
18 coordinated communications content standard at 11 C.F.R. § 109.21(c)(4) because it clearly  
19 identified Ed Martin as a candidate and was publicly distributed in Martin's congressional  
20 district 90 days or fewer before the November 2, 2010, election, as it was widely available on the  
21 Internet as of October 18, 2010. *Id.* at 3-4. The complaint also asserts that the website satisfies  
22 either the "substantial discussion" or "former employee/independent contractor" standards of the  
23 conduct prong at 11 C.F.R. §§ 109.21(d)(1) and (5), respectively, and relies on the same central

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1 facts for both allegations: that Corwin, Dillon, and/or Veritas created and produced the website  
2 after substantial discussion with, or based on the Committee's plans and needs as conveyed by,  
3 the Committee, Carnahan, or their agents, because (1) the Committee made payments to Veritas;  
4 (2) Corwin and Dillon are associated with Veritas; and (3) Corwin and Dillon, the website  
5 creators, registered the website's domain name just two days after the Committee's last apparent  
6 payment to Veritas and launched it just before the general election to help Carnahan by attacking  
7 Martin. *Id.* at 3-4. Finally, the complaint posits that the payment prong is satisfied because the  
8 Committee "fully or partially" paid for the website, citing the August and September payments  
9 to Veritas totaling \$6,495. *Id.*

10 The Joint Response and Representative Carnahan's response, which the Committee has  
11 adopted, maintain that the website fails to constitute a coordinated communication, noting that  
12 the content prong has not been met because only Internet communications placed for a fee on  
13 another's website are considered "public communications." Committee Response at 3; Joint  
14 Response at 1-2. The Committee states that it believes Corwin and Dillon developed and  
15 published the website after Veritas ended its relationship with the Committee. Committee  
16 Response at 2. Although the Committee acknowledges the possibility that the website "may  
17 have drawn on research" Corwin and Dillon conducted while working for the Committee, it  
18 denies that Carnahan or the Committee authorized the website or had control over its content or  
19 the circumstances of its publication. *Id.*

20 The Joint Response instead asserts that Corwin and Dillon proceeded independently with the  
21 website at their own expense following their disagreement with and break with the Committee. Joint  
22 Response at 4-5. They explicitly deny that the Committee compensated Veritas or the individuals  
23 associated with creating the website for any work relating to the website. *Id.* at 3. The Joint

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1 Response specifically explains that Corwin prepared the website's written content, Dillon prepared  
2 the video, and Arango designed and created the website through the voluntary donation of their time  
3 and services. *Id.* at 5. Although the Joint Response acknowledges they were paid for work  
4 conducted for the Committee, the Joint Response asserts that Veritas was paid for "other actions  
5 unrelated to Internet activity," and that there was no legal bar that precluded Veritas and its related  
6 individuals from creating the website. *Id.* at 2. Finally, the Joint Response states that they had no  
7 discussions with Barranco about publishing a website to release information about the Martin-clergy  
8 abuse issue, that neither Barranco nor the Committee ultimately approved a video, that the  
9 Committee did not endorse or authorize the website or the video, and that neither the website nor the  
10 video was ever presented to the Committee. *Id.* at 4 and 5.

11 It does not appear that there is reason to believe that the respondents engaged in unlawful  
12 coordination under the Act and Commission regulations. While the payment prong of the  
13 coordinated communication test, 11 C.F.R. § 109.21(a)(1), is satisfied because Dillon and Corwin  
14 are a third-party payor, the content standard is not satisfied because the website does not appear to  
15 constitute a public communication. Although it appears that the Committee may have paid Veritas,  
16 at least in part, to gather some of the information ultimately displayed on the website, on the facts  
17 presented here, such payments do not amount to the Committee having placed an Internet  
18 communication on another's website for a fee.<sup>9</sup> Furthermore, the Joint Response makes clear that  
19 the individuals responsible for the website were not compensated for their work in hosting,  
20 designing or creating the website or its written content.<sup>10</sup>

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<sup>9</sup>The same analysis would apply to the placement of the website video on YouTube since one does not pay a fee to place items on YouTube.

<sup>10</sup> An individual or group of individuals' uncompensated personal services related to Internet activities, like creating, maintaining or hosting a website, is not a contribution under the Act. 11 C.F.R. § 100.94.

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Moreover, the September and October emails between the Committee and individuals associated with Veritas present a compelling case that the Committee did not, in fact, engage in coordinated conduct. *See* 11 C.F.R. § 109.21(a)(3), (d). Those contemporaneous exchanges demonstrate that the Committee did not want to rely on the Martin-clergy abuse allegations because it believed that such an attack would backfire by alienating Catholic voters. Joint Response, Exs. F, G and H. Rather, the preponderance of the available facts – including those emails – shows that Corwin and Dillon crafted and developed the narrative and prepared the video content on the website because *they* wanted to communicate *their* view of the issue to a mass audience notwithstanding that the Committee declined to do so. *Id.* Corwin’s October 4 resignation email, *id.*, Ex. G, further amplified by the discussion in the Joint Response, indicates that a video concerning the Martin-clergy abuse issue was discussed with the Committee. But the Joint Response specifically states that no discussion took place with Barranco about setting up a website to release the information, and no one from the Committee was shown or approved the website content or video. Joint Response at 4.<sup>11</sup>

Therefore, the Committee did not receive a coordinated in-kind contribution from Veritas, Corwin, or Dillon, and the Committee had no reporting obligation relating to the website. Additionally, as noted, because the website does not constitute a “public communication” or an electioneering communication, none of the Respondents was required to post a disclaimer on the site. Accordingly, the Commission has determined that there is no reason to believe

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<sup>11</sup>Once the website went live, the campaign called upon Martin to address the issue raised by the website. *See* Jo Mannies, *Democratic Researcher, supra*; *see also* Jack Wagman, *Martin Files Complaint over Website Done by Researchers Who Worked for Carnahan*, St. Louis Post Dispatch, Oct. 29, 2010. Nonetheless, that action does not support a conclusion that there is reason to believe the Respondents engaged in unlawful coordination. First, the activity does not constitute actionable “coordination” standing alone, and no other evidence suggests that the parties in fact secretly coordinated here. And most importantly, not only do the Respondents deny coordination, their contemporaneous internal email traffic from the time in question refutes any inference that they did.

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1 that Representative Carnahan and the Committee violated 2 U.S.C. §§ 434(b) and 441d as related to  
2 TheRealEdMartin.com website.

3 2. In-Kind Contribution in the Form of Investigative/Opposition Research Services  
4 Provided at No Charge or at a Discount  
5

6 The services listed as provided at a discount or at “no charge” in Veritas’s second invoice  
7 and Corwin’s statement that he donated “huge amounts of time” to the investigation raise  
8 concerns that Veritas may have made, and the Committee may have accepted, a prohibited in-  
9 kind contribution, depending on Veritas’s tax status, or unreported excessive contribution. See  
10 Joint Response, Ex. C, G, and H. Unless specifically exempted, the provision of goods or  
11 services without charge or at a charge which is less than the usual and normal charge for goods  
12 and services is a contribution. 11 C.F.R. § 100.52(d)(1). The usual and normal charge for any  
13 services, other than those provided by an unpaid volunteer, is determined by reference to the  
14 hourly or piecework charge for the services at the commercially reasonable rate prevailing at the  
15 time the services were rendered. 11 C.F.R. § 100.52(d)(2). A committee’s receipt from a vendor  
16 of a complimentary item or the purchase of goods or service at a discount does not result in a  
17 contribution if the discounted goods or services or the complimentary item are made available in  
18 the ordinary course of business and on the same terms and conditions offered to a vendor’s other  
19 customers that are not political committees. See MUR 5942 (Rudolph Giuliani Presidential  
20 Committee); Advisory Opinion 1994-10.

21 Both the Committee and Corwin maintain in their supplemental responses that no in-kind  
22 contribution resulted from Veritas’s discounted or “no charge” services. Veritas did not file a  
23 response, and appears to be inactive, as it is considered “delinquent” under Colorado law for failing  
24 to file a periodic report that was due on September 30, 2011. And, in any event, Corwin states that  
25 he provided virtually all of the services at issue as a subcontractor to Veritas, and he provides

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1 information about those services as well as the uncharged services Dillon provided under Veritas's  
2 aegis.<sup>12</sup>

3 The Committee asserts that it paid the usual and normal charge for Veritas's services because  
4 it understood Veritas would bill it on a flat-rate, per-project basis rather than at an hourly rate, a  
5 common arrangement with research consultants. Committee Suppl. Resp. at 1, 3. According to the  
6 Committee, the second invoice reflects this arrangement in its statement that the "[f]ee includes all  
7 research services and all iravai-related expenses for two-person team." *Id.* at 2; *see* Joint Response  
8 at Ex. C. As further support that the full fee was paid, it also points to Barranco's statement in the  
9 October 6, 2010, email that the Committee understood it owed nothing further for Veritas's work  
10 and the absence of a demand for payment in Corwin's October 4th email, sent after he consulted  
11 with his own compliance lawyers. Committee Suppl. Resp. at 2-3. As for the invoice's itemized list  
12 of services provided at no charge or at a discount and Corwin's email reference to donated time, the  
13 Committee simply states it "cannot speak" to what led Veritas to identify discounts on the invoice or  
14 to Corwin's statement, and it has no information that Veritas provided it with any special  
15 accommodation not extended to other customers. *Id.* at 3.

16 Corwin makes no mention of a flat-rate arrangement in his sworn supplemental response.  
17 Instead, he states that he helped Dillon prepare Veritas's invoice as the more experienced  
18 investigator based on his own customary business practice and that the \$85 per hour rate was the  
19 same rate CRI charged all of its clients. Corwin Supp. Resp. at 2, 4. Presumably, Corwin used  
20 CRI's rate because Veritas, a two-month old company operated by Dillon, a full time graduate  
21 student at the time, had no ongoing business practice.

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<sup>12</sup>In the email forwarding his response, Corwin indicates he had been in touch with Dillon who had not decided whether to respond.

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1 Corwin essentially makes two arguments: (1) that donated, discounted and “no charge”  
2 services were provided in the ordinary course of business and on the same term and conditions as  
3 provided to non-political clients, and (2) presumably in the alternative, that even if the  
4 uncompensated and discounted services were in-kind contributions, their total value was less than  
5 the \$2,400 contribution limit in 2010 so Veritas, which Corwin represents was a “single member”  
6 LLC “treated as a sole proprietorship,” made no excessive or prohibited contribution. *Id.* at 1-2.  
7 Corwin does not specifically state that Veritas was treated as a sole proprietorship “by the IRS,” a  
8 phrase he expressly uses to describe his own firm, CRI. *Id.* An LLC’s tax treatment governs  
9 whether any contributions made by it are treated as a corporate contribution, or in the case of a  
10 single natural member LLC, as a contribution by the member. *See* 11 C.F.R. §§ 110.1(g)(3) and (4).

11 In support of his “ordinary course of business” argument, Corwin provided numerous  
12 redacted invoices and a few emails related to CRI’s main business, investigating cases for civil  
13 plaintiff and criminal defense counsel, to show that he sometimes waived his own compensation or  
14 provided some services connected with investigations at no charge to non-political clients. *Id.* at 2-4  
15 and attachments. For the most part, the invoices show Corwin customarily issued itemized invoices  
16 billing these clients at an \$85 hourly rate plus travel and expenses but did not charge for certain  
17 isolated items such as initial client meetings, mileage related to particular trips, and email updates.  
18 Several of the invoices reflect flat-rates for pre-employment background research and witness  
19 location information.

20 Importantly, Corwin also provided information about the nature and value of the invoiced  
21 “no charge” services and the “huge amounts” of donated time Corwin refers to in the October 4<sup>th</sup>  
22 email. Based on that information, it appears that the total value of those services was \$3,743. This  
23 figure can be broken down into three sets of services: (1) services directed at gathering and

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1 presenting information aimed at convincing the Committee to pursue the Martin-clergy abuse issue,  
2 totaling \$2,040; (2) discounted field work valued at \$1,580; and (3) updated research and a  
3 background check, apparently unrelated to the second St. Louis trip valued at \$123.

4 The first set of services, efforts Corwin and Dillon undertook to persuade the Committee to  
5 raise the Martin-clergy abuse issue in the campaign, accounts for more than half of the \$3,743 total  
6 amount. A significant portion of Veritas's invoiced "no charge" services are attributable to these  
7 efforts – items described as "Prep Time Line/Updated Memo/7 hrs @ \$85" and "Medin Consulting."  
8 The time line/updated memo item refers to time Corwin spent immediately following the second St.  
9 Louis trip updating a prior opposition memo in the hope that the additional information would  
10 convince the Committee to use the Martin-clergy abuse issue (\$595). *Id.* at 4-5. The media  
11 consulting item involved two hours (\$170) spent by Dillon educating the campaign about using "the  
12 power of video" to raise the issue. *Id.* at 5-6. Corwin maintains that Veritas chose not to charge for  
13 these services because it was unable to convince the Committee to use the issue. *Id.*

14 Veritas's efforts to persuade the Committee to go forward with making the Martin-clergy  
15 abuse issue public also include Corwin's email reference to "huge amounts" of donated time.  
16 Corwin says he was referring in the email to the seven hours he spent updating an opposition memo  
17 (the "Prep Time Line/Updated Memo" item) and about 15 hours (\$1,275) he spent searching for  
18 news articles about Martin's involvement in the Archdiocese. *Id.* at 6. Corwin explained that his  
19 characterization of the amount of time donated to the investigation represented a "deep feeling of  
20 frustration" with the campaign for not "exposing Martin's inaction in the face of real harm" to  
21 children. *Id.* Corwin says he did not charge the Committee for the 15 hours he spent searching for  
22 news articles because the Committee did not approve the work in advance. *Id.* The \$2,040 total

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1 value of these services is based on Corwin's use of his \$85 per hour customary rate, including the  
2 services Dillon provided. *Id.* at 5-7.

3 Corwin does not address the second set of services: the discounted field work reflected in the  
4 invoice. None of the CRI invoices he provided indicates that CRI customarily offered discounted  
5 rates for fieldwork, and the Commission has no information from Veritas to explain the discount.  
6 The value of the discount appears to be \$1,580. This figure was calculated by subtracting the \$800  
7 discounted fee Veritas charged and the Committee paid from \$2,380, the non-discounted price for  
8 fieldwork performed by a two person team for two days (2 people x 14 hours [two 7-hour days] x  
9 \$85/hour = \$2,380; \$2,380 - \$800 = \$1,580).

10 The third set of services involves updated research and a background check, the remaining  
11 "no charge" invoiced services totaling \$123. Those services consisted of 15 minutes Corwin spent  
12 updating a prior search on Amgen, a funder of stem cell research in which Martin's family  
13 apparently owned stock (\$21 [rounded] based on an \$85 hourly rate) and a second pre-employment  
14 background check on a campaign canvasser suspected of arson at campaign headquarters to  
15 determine whether a prior vendor had missed anything in its background check (\$102 [rounded],  
16 equivalent to the rate charged for background checks in CRI invoices Corwin provided). *Id.* at 5.

17 Of the \$3,743 in services Veritas provided at no charge or at a discount, the \$2,040 in  
18 services, reflecting Veritas's unsuccessful efforts to convince the Committee to pursue the Martin-  
19 clergy abuse issue and representing time spent researching the matter that the Committee did not  
20 approve of in advance, does not appear to constitute an in-kind contribution. Accordingly, it appears  
21 that at most, the Committee may have accepted an in-kind or prohibited contribution totaling \$1,703  
22 (\$3,743 - \$2,040 = \$1,703).

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1 At this point, the Commission lacks sufficient information to attribute a definitive valuation  
2 to any in-kind or prohibited contribution resulting from Veritas's unbilled or reduced cost services to  
3 the Committee. It is unclear whether the parties had a project-based/flat-fee or hourly-fee based  
4 arrangement, whether the third payment to Veritas was attributable to the second invoice, and  
5 whether or not Veritas elected to be treated as a corporation by the IRS. The available information  
6 suggests three possible formulations: (1) that no or at most a \$102 in-kind or prohibited contribution  
7 resulted because the parties had a flat-rate/project-based payment arrangement for the second St.  
8 Louis trip that the Committee paid in full; (2) assuming that Veritas did not elect tax treatment as a  
9 corporation, that an in-kind contribution resulted ranging from \$514 to \$1,703 such that the  
10 Committee did not accept an excessive contribution; or (3) assuming that Veritas elected to be  
11 treated as a corporation by the IRS, that a prohibited contribution resulted ranging from \$514 to  
12 \$1,703. In any event, the amount at issue appears to be relatively modest and does not appear to  
13 warrant further inquiry.

14 First, if the Committee had a project-based, flat rate fee arrangement with Veritas for the  
15 second trip, including each of the invoiced items with "no charge," then the Committee did not  
16 accept a prohibited or in-kind contribution. However, the "no charge" services pertaining to the  
17 Amgen search and Chris Powers background check, totaling \$123, appear to have been unrelated to  
18 the second St. Louis trip, and, if so, may not have been covered by a project-based fee resulting in a  
19 non-excessive or prohibited in-kind contribution. Since the minimal time spent on the Amgen  
20 research appears similar in size and type to the uncharged services Corwin extended to non-political  
21 clients as reflected in the CRI invoices he provided, the amount may be closer to \$102 (\$123 - \$21  
22 [Amgen research rate for 15 minutes] = \$102).

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1 Second, if Veritas did not elect to be treated as a corporation and the parties had no flat-rate  
2 agreement, at most the total value of services provided without charge and at a discount that could be  
3 construed as an in-kind contribution was \$1,703. In that case, the Committee did not accept an  
4 excessive contribution because the contribution limit for 2010 was \$2,400 and neither Corwin nor  
5 Dillon made contributions to the Committee. That amount may be reduced from \$1,703 to \$514 if  
6 the Committee's reported third payment of \$1,188.99 to Veritas was attributable to any of the  
7 services listed in the second invoice, a plausible scenario given that the available information  
8 indicates that Veritas performed no other services for the Committee. *See supra* at 6 and fn 4.  
9 Under either or both of these circumstances, the Committee did not accept an excessive in-kind  
10 contribution.

11 Finally, if Veritas elected to be treated as a corporation by the IRS, it is conceivable that the  
12 Committee may have accepted an in-kind corporate contribution. The value of any such  
13 contribution would most likely range from \$514 to \$1,703, depending on whether the Committee's  
14 reported third payment of \$1,188.99 applies.

15 Given the lack of clarity about the fee arrangement between the Committee and Veritas,  
16 which directly relates to the value of any prohibited or unreported excessive contribution, the  
17 absence of information about the purpose of the third payment to Veritas, and the uncertainty about  
18 Veritas's tax status as an LLC, an investigation would be necessary to determine whether  
19 Respondents violated the Act in connection with the "no charge" and discounted services listed in  
20 the invoice. In light of the relatively small amount potentially at issue, however, an investigation is  
21 unwarranted. Accordingly, the Commission has determined to exercise its prosecutorial discretion  
22 and dismiss this matter as to the Committee regarding any potential violations of 2 U.S.C. §§ 441a(f)  
23 or 441b by accepting excessive in-kind or prohibited contributions in the form of services provided

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- 1 at no charge or at a discount and as to any potential violations of 2 U.S.C. § 434(b) by failing to
- 2 report any such contributions. *See Heckler v. Chaney*, 470 U.S. 821, 831 (1985).

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